

STATE OF CALIFORNIA  
DEPARTMENT OF CORPORATIONS

INFORMATION TO ASSIST PERSONS APPLYING FOR A BROKER-DEALER CERTIFICATE  
POST EFFECTIVE REQUIREMENTS

Once issued the certificate continues in effect until terminated by surrendering, suspension or revocation.

**I. AFFIRMATIONS**

(a) Persons who are issued certificates are charged with the responsibility of familiarizing themselves with the applicable sections of the California Corporate Securities Law of 1968 and the California Code of Regulations, Title 10, Chapter 3, Subchapter 2, that includes, among other things:

(b) Promote fair, equitable, and ethical principles of conduct;

(c) Skills and knowledge, or working experience, appropriate for accomplishing compliance with the law and rules; and

(d) Timely payment of all fees.

**II. ASSESSMENT:**

An annual assessment fee is due by the 19th day of June each year. This assessment is based on each broker-dealer's pro rata share of all costs and expenses, reasonably incurred in the administration of the broker-dealer program. In levying the collection of the assessment a broker-dealer shall not be assessed less than seventy-five (\$75) per year. Payment of the assessment fee shall maintain a certificate in effect during the succeeding fiscal year.

**III. BOOKS AND RECORDS: [CCR 260.241.]**

(a) Maintenance and preservation of books and records according to standard accounting principles and the rules and regulations of the Commissioner.

(b) Having books and records available at all reasonable times for examination by the Department.

(c) File an amendment to its application with this Department for any changes relating to the information filed with the original application. The amendment is required to be filed within 30 days after the change has occurred, or if applicant is a member of the National Association of Securities Dealers ("NASD"), amendments should be filed through the Central Registration Depository ("CRD") system.

**IV. CAPITAL REQUIREMENTS: [CCR Section 260.216.12]**

No broker-dealer shall permit its aggregate indebtedness to all other persons to exceed the limitations of 17 CFR 240.15c3-1 and Appendices A through D thereto (Rule 15c3-1) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 and every broker-dealer shall have net capital necessary to comply with the conditions set forth in that rule.

**V. FINANCIAL FILING REQUIREMENTS:**

**A. Interim Reports [Re: CCR Section 260.241.2(d)]**

Any broker-dealer (subject to the provisions of CCR Section 260.216.12) shall file a report furnished or approved by the Commissioner within 15 days after its net capital is reduced to 120% of its required minimum net capital, aggregate indebtedness is in excess of 1200% of its net capital, or net capital is reduced to less than 5% of the aggregate debit items.

**B. Annual Reports [Re: CCR Section 260.241.2]**

Broker-dealers subject to the provision of CCR Section 260.216.12 shall file with the Commissioner, not more than 60 days after its year-end, an annual financial report in accordance with CCR Section 260.241.2. If the broker-dealer is registered with the Securities and Exchange Commission ("SEC"), a broker-dealer may submit, in lieu of the annual report, verified copies of the annual reports required under Rule 17a-5(d) of the Securities and Exchange Act of 1934 if filed with and accepted by the SEC.

The financial statements included in the annual report shall be prepared in accordance with generally accepted accounting principles and shall be audited by either an independent certified public accountant or independent public accountant. The financial statements need not be audited if the broker-dealer has not held or accepted custody of funds and securities for or owed money or securities to customers or clients during the period covered by the report and the securities business has been limited to soliciting subscriptions for securities of an issuer and the broker-dealer promptly forwarded the subscriptions to the issuer, underwriter, or sponsor or other distributor of the securities and received checks, drafts, notes or other evidence of indebtedness payable solely to the issuer, underwriter, sponsor or distributor who delivered the securities purchased directly to the subscriber.

The financial statements must be accompanied by a verification. The verification must affirmatively state, to the best of my knowledge and belief of the person making the verification, (1) the financial statements and supporting schedules are true and correct and (2) must be signed under penalty of perjury. A copy of the Department's verification form is included in this package.

## V. AGENT PROCEDURES FOR BROKER-DEALERS (Re: CCR Section 260.210)

### A. Filing Requirements

Upon employment of an individual as an agent, a broker-dealer shall (1) obtain a properly executed application for registration, on Uniform Application for Securities Industry Registration and Transfer Form ("Form U-4"), (2) obtain for its records, evidence that such agent meets the qualification requirements of CCR Section 260.217, and (3) ascertain (by investigation) the character, business reputation and experience of any individual, prior to executing any transaction on behalf of the broker-dealer. Evidence of compliance with Section 260.217 and investigation of the agent, shall be maintained as a part of the records of the broker-dealer as required by CCR Sections 260.241 and 260.241.1.

*A broker-dealer who registers its agents with the National Association of Securities Dealers Regulation, Inc. ("NASDR") must:*

(1) Upon employment of an individual as an agent, file the Form U-4 through the Central Registration Depository ("CRD") of the NASDR in accordance with its procedures, and pay, for transmission to the Commissioner, the appropriate fees. The filing of the Form U-4 with the CRD does not constitute an automatic approval. Broker-dealers should not consider an agent registration approved until approved by the Commissioner and the approval has been received through the CRD. If requested by the Commissioner, additional information, documentation or details pertaining to the Form U-4 or properly executed fingerprint cards of the agent must be filed directly with the Commissioner within 15 days from the date of the request. The Form U-4 may be abandoned if the Commissioner does not receive the requested information within the time prescribed.

(2) File an amendment to the Form U-4 through the CRD within 30 days when there are any changes to the information contained in the original Form U-4. If the Form U-4 is being amended due to a disciplinary occurrence, a copy of the amendment shall be filed with the Commissioner upon request.

(3) Within 30 days after the termination of an individual as an agent, file the Uniform Termination Notice for Securities Industry Registration Form ("Form U-5") through the CRD. The Form U-5 shall clearly state the reason(s) for termination. However, if an agent has been terminated for cause, the Form U-5 shall, upon request, be filed directly with the Commissioner.

*A broker-dealer who does not register its agents with the National Association of Securities Dealers Regulation, Inc. ("NASDR") must:*

(1) Upon employment of an individual as an agent, file the Form U-4 with the Commissioner. The filing of the Form U-4 with the Commissioner does not constitute an automatic approval. Broker-dealers should not consider an agent registration approved until such approval has been received from this Department. If requested by the Commissioner, additional information, documentation or details pertaining to the Form U-4 or properly executed fingerprint cards of the agent must be filed directly with the Commissioner within 15 days from the date of the request. The Form U-4 may be abandoned if the Commissioner does not receive the requested information within the time prescribed.

(2) File an amendment to the Form U-4 with the Commissioner within 30 days when there are any changes to the information (including information relating to a disciplinary action) contained in the original Form U-4.

(3) Within 30 days after the termination of an individual as an agent, file the Form U-5 with the Commissioner. The Form U-5 shall clearly state the reason(s) for termination.

(4) If the fingerprints of the individual employed as an agent are not on file with the Commissioner, such broker-dealer shall file with the Form U-4, a required Fingerprint Card (Form BID-7) for such individual. Information about whether an individual's fingerprints are on file with the Commissioner may be obtained from any office of the Commissioner.

### B. Qualification Requirements [Re: CCR Section 260.217]

Every individual who is a broker-dealer, or a compliance supervisor, or reported agent of a broker-dealer must qualify by passing a securities examination as specified in California Code of Regulations, 10 CCR Section 260.217(a)(1) and shall meet all applicable examination requirements of the Securities and Exchange Commission ("SEC") and the self-regulatory organizations of which the broker-dealer is a member. The provisions of 260.217(a)(1) shall not apply to any individual who is a member or is employed by a member of the Pacific Stock Exchange ("PSE") so long as the individual is engaged in the securities business solely as a specialist, market maker or floor broker on the PSE.

### C. Fees

(a) The filing fee for each reported agent \$25. If the broker-dealer registers its agents with the National Association of Securities Dealers Regulation, Inc. ("NASDR"), the fee is sent directly to the CRD.

(b) The filing fee for each Fingerprint Card is \$62.

